

1964
ANNUAL
REPORT

BALDWIN-LIMA-HAMILTON



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Board of Directors

Francis L. Elmendorf, Shaker Heights, Ohio
Leonard D. Henry, New York, New York
Edward Hopkinson, Jr., Chestnut Hill, Pennsylvania
McClure Kelley, Glen Moore, Pennsylvania
Arthur Littleton, Gladwyne, Pennsylvania
Frederic A. Potts, Ambler, Pennsylvania
William Wood Prince, Chicago, Illinois
George A. Rentschler, New York, New York
William S. Rowe, Cincinnati, Ohio
Louis Fenn Sperry, Scarsdale, New York
Milton Steinbach, New York, New York
Ralph K. Stiles, Hillsborough, California
Arthur E. Summerfield, Flint, Michigan
Perry A. White, Wallingford, Pennsylvania

Executive Committee

George A. Rentschler, Chairman
Leonard D. Henry
McClure Kelley
William Wood Prince
Milton Steinbach
Perry A. White

Corporate Officers

Perry A. White, President
James M. White, Vice President
Frank E. Stehlik, Vice President—Finance,
Secretary and Treasurer

Division Officers

Robert J. Buckley, Vice President—Standard Steel
Division
Robert O. Bullard, Vice President—BLH Electronics
Charles M. Lippincott, Vice President—Construction
Equipment Division
Andrew Liston, Vice President—Industrial Equipment
Division

Transfer Agents

In Philadelphia, Fidelity-Philadelphia Trust Company
In New York, Bankers Trust Company
In Cincinnati, The Fifth Third Union Trust Company

Registrars

In Philadelphia, The First Pennsylvania Banking
and Trust Company
In New York, First National City Bank
In Cincinnati, The Central Trust Company

BALDWIN-LIMA-HAMILTON

CORPORATION

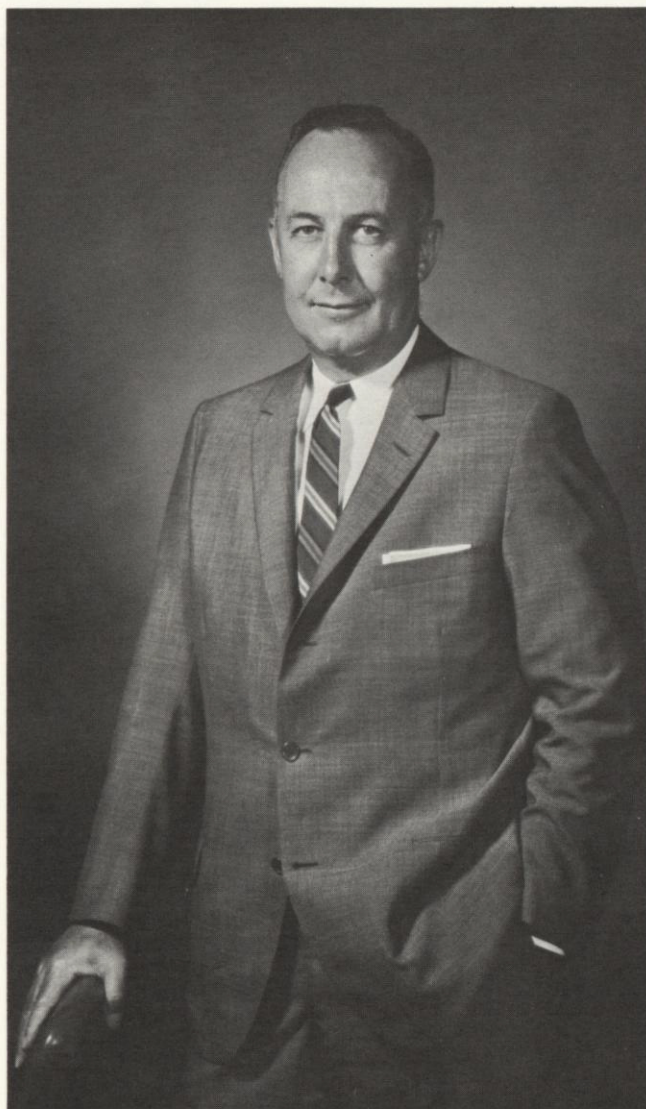


Corporate Offices-Philadelphia National Bank Bldg., Phila., Pa.

Financial Highlights

	1964	1963
Net sales	\$136,952,000	\$124,776,000
Net income	\$3,157,000	\$1,017,000
Per share	\$.76	\$.24
Cash dividends declared	\$1,672,000	\$1,704,000
Per share	\$.40	\$.40
Shareholders' book equity	\$107,581,000	\$107,523,000
Per share	\$25.89	\$25.25
Working capital	\$73,948,000	\$73,411,000
Per share	\$17.80	\$17.24
Additions and improvements to facilities	\$4,219,000	\$3,113,000
Depreciation and amortization charged to operations	\$3,266,000	\$3,120,000
Orders received	\$143,545,000	\$135,935,000
Orders unfilled	\$73,430,000	\$69,481,000
Number of shares outstanding	4,154,950	4,258,850
Number of shareholders	14,761	16,097
Number of employees	7,003	6,636

TO THE SHAREHOLDERS



The net income of the company for 1964 was \$3,157,132 or 76¢ per share, compared with \$1,017,096, or 24¢ per share for 1963. Dividends of \$1,671,870 amounting to 40¢ per share were declared in 1964 at the rate of 10¢ per quarter. Net sales amounted to \$136,952,289 compared with sales of \$124,775,854 in 1963.

At the end of 1964 the backlog of orders was \$73,430,000. This compares with a backlog of \$69,481,000 at the end of 1963. At the year end shareholders' book equity amounted to \$25.89 per share, compared with \$25.25 at the end of the previous year. Working capital stood at \$17.80 per share at the end of 1964, compared with \$17.24 at the end of 1963.

We brought to your attention about a year and a half ago a broad plan for discontinuing certain product lines and rearranging plant facilities accordingly. This has been a major undertaking. We are pleased to report that we have completed most of this program. This plan has contributed substantially to our im-

proved earnings. In addition there has been a greater demand for capital goods. We have maintained our engineering and development at a high standard in all of the divisions and this, too, has contributed to the general improvement in income. The programs of rearrangement and modernization which contributed so much to our improved operations are described in greater detail in the Review of Operations.

Another factor contributing to our improved operations has been some firming of prices. There have been too few price increases on heavy equipment products and it is our belief that the entire industry is long overdue for general price adjustments to insure a reasonable profit. Many product lines have had no price increase for five or six years. Yet during that period the costs of materials and labor have risen, and the prospects now are that increases in costs will accelerate in 1965.

Industries can achieve only so much profit improvement through better plant arrangement, higher

operating efficiency, superior equipment, automation and other aspects of effective management. When costs which lie outside of these areas—costs which management cannot directly control—continue to rise, prices must rise or profits will disappear.

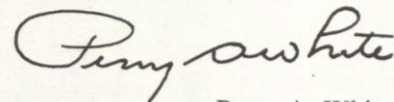
We continue our efforts to broaden our domestic and foreign operations. The winter issue of the BLH News told you of our arrangement to manage the Titusville Crankshaft & Machine Company. This operation is meeting forecasts.

The Review of Operations discusses the foreign agreements which have been consummated during 1964. We have also worked for some time on additional foreign connections and we fully expect to see some of these others come to fruition this year. Notable among the arrangements which we expect to see concluded are ones which would establish the manufacture and sale of both our electronic and construction equipment products in Japan.

Our bookings and profits for the last quarter of 1964 were

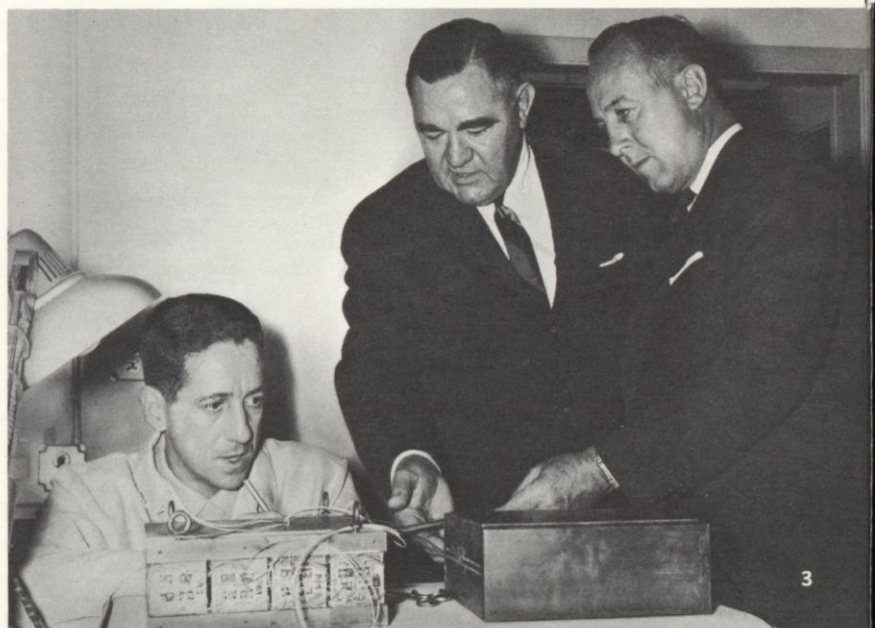
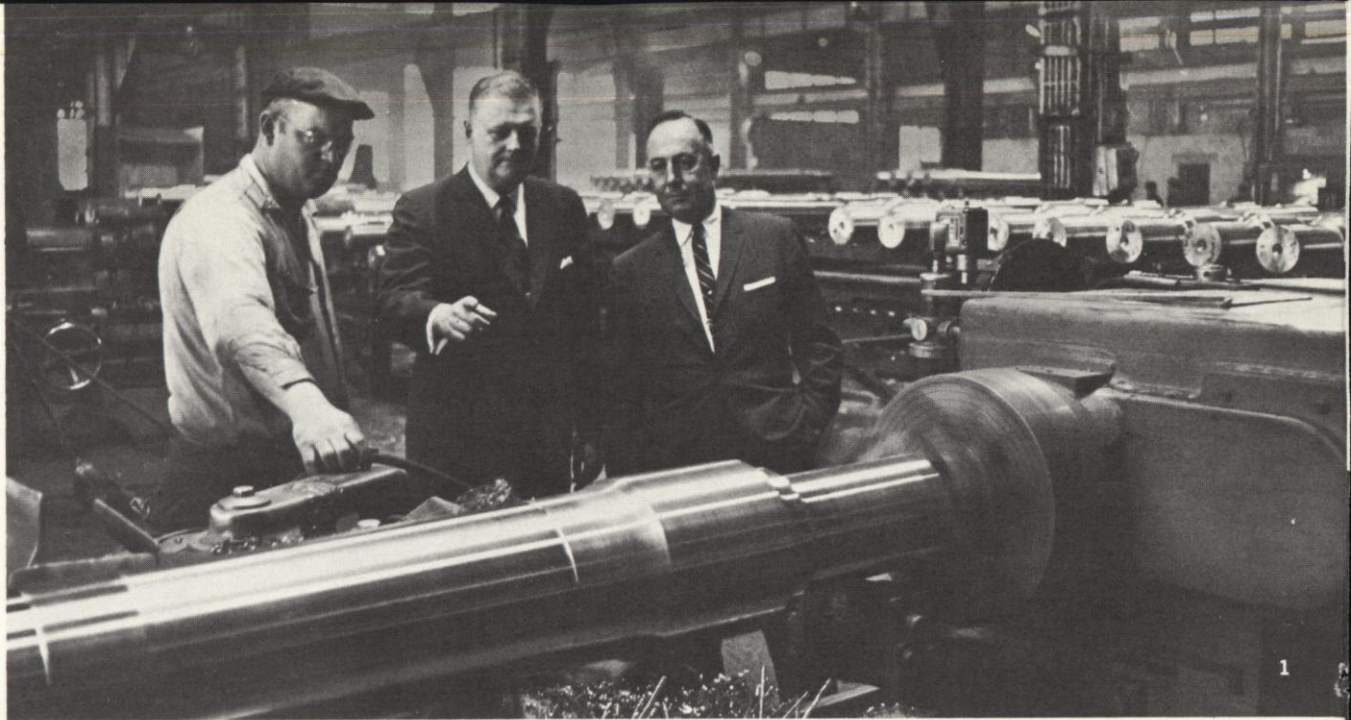
higher than those in any previous quarter of the year. The earnings per share for 1964 were considerably higher than those for any year since 1959. We look forward with confidence to continued improvements in operating results for 1965.

We could not have made the progress, which we did make during 1964, without the exceptionally fine efforts of our officers and employees. Despite dislocations caused by major alterations at two of our plants and the heavy pressure for production and product improvement at all of our plants, our personnel have responded with energy, imagination and dedication. On behalf of the Board of Directors I should like to thank the officers and employees for their excellent work during the year.



Perry A. White
President

March 1965



President explores division production. Perry A. White examines products in process with division vice presidents and general managers: 1. Inspecting railroad axle production at Standard Steel with R. J. Buckley; 2. In the partly finished cab of a Lima 2400 dragline with Construction Equipment's C. M. Lippincott; 3. Discussing the new, miniature, 3.5 million pound capacity load cell for the Saturn V rocket thrust stand with R. O. Bullard at BLH Electronics; 4. Watching with Industrial Equipment's Andrew Liston, the machining of a Pelton runner for a hydraulic turbine being built for installation at Parajuana del Santa, Peru, South America.

REVIEW OF OPERATIONS

Plant Improvements

We have substantially completed the rearrangement and modernization of the physical facilities at two of our plants during the year, the Industrial Equipment Division and the Standard Steel Division.

The first step in reorganizing facilities, a rearrangement of the machine shop at the Industrial Equipment Division, was finished in May, 1964. The rearrangement of the fabrication shop at this division, completed at the end of 1964, has reduced the number of square feet in the shop from 657,000 to 213,000. These changes have improved work flow, material storage and accessibility, materials handling, and have been a major factor in improving our ability to meet delivery schedules. The changes also improved substantially the working conditions in this shop.

The Standard Steel Division will complete the first phase of its installation of a new ring line in the old foundry during the first quarter of 1965. The first phase is the installation of the small ring rolling mill, a 3000 ton press and related heat treating equipment. The second phase, installa-

tion of the large ring rolling mill, an 8000 ton press and related heat treating equipment, will be completed later in 1965. When completed, the new line will more than triple our ring capacity, will vastly improve our ring making efficiency and will broaden the range of ring sizes which we can make.

Projects of Interest

The Shareholder News for the third quarter of 1963 announced the receipt of a substantial order for truck mounted cranes, known as M 543 wreckers. These cranes, to be built for the armed services, consist of a modified version of the Austin Western pedestal crane mounted upon a truck chassis supplied by the Government.

Work on this contract began in 1964 at the Lima plant of the Construction Equipment Division, and more than 200 units of this five ton wrecker were delivered by the end of the year. Meanwhile we have received additional orders for these wreckers. We are producing these units at a rate of about 100 per month and expect to produce all orders now in hand during 1965.

The Industrial Equipment Divi-

sion has two projects of major interest. Completion of delivery on our first pump turbine contract, Yards Creek, for Jersey Central Power and Light has been followed by release for production of the much larger Muddy Run pump turbine order. This multi-million dollar contract covers eight pump turbines and governors for the storage hydro station now being built in Lancaster County, Pa. by the Philadelphia Electric Company.

Pump turbine plants provide one of the most important systems for using and preserving stored water. These plants constantly move water between an upper and lower reservoir, generating electricity for peak loads when the water moves down and using off-peak power to pump the water back to the upper reservoir.

The growing interest in pump turbines offers us a new opportunity for substantial business, as many power companies are considering pump turbine installations for balancing peak and off-peak power loads.

Our new subsidiary, Allen-Sherman-Hoff, has been awarded a contract amounting to almost \$1.5 million, for all of the ash

Lima 1250 SC crane unloads six to seven 1000 ton barges per day for Philadelphia concrete supplier. The electrically operated rail crane operates on 400 feet of track, has 90-foot boom.

A few of the 2000 wheels which Standard Steel is building for 270 special gondola cars. The cars will make up two special, integral coal trains which will remain coupled during both loading and unloading.

All wheel drive and steer Austin-Western grader can cling like this to slopes as steep as 2:1 without cable support from a second machine atop the hill.

handling equipment for the Keystone station, Armstrong County, Pa., a cooperative project owned jointly by several power companies. This will be the world's largest steam power plant built as a single project, and will be capable of generating 1.8 million kilowatts of power.

BLH Electronics has supplied load cells and instruments for the largest coal weighing installation ever built. A large power company will use eight 250,000 pound capacity load cells on each of ten coal silos to obtain continuous inventory information.

The division has also supplied load cells and instruments to a major chemical company for determining tank inventory as a part of a process control system.

Foreign Activities

We have licensed Innocenti S.A. of Milan, Italy, to manufacture and sell extrusion presses, stretchers and stretch detwisting machines for ferrous, non-ferrous and light metals. The agreement gives Innocenti exclusive manufacturing rights for Italy; use and sales rights for various other European countries.

The new Hottinger-Baldwin

plant at Darmstadt, West Germany, will be completed and in production during 1965. The Hottinger-Baldwin backlog has doubled during the last 15 months.

BLH Australia, the affiliate which we formed to build and sell construction equipment throughout the Commonwealth, has bought land near Melbourne and is preparing to build a plant. During 1964 this organization has increased our equipment sales in the Commonwealth.

Employee Relations

Employment company-wide was up about six per cent during the year. We continue to strive for stable employment.

Union agreements were negotiated at two of our divisions, BLH Electronics and Industrial Equipment Division, during 1964.

Most of our labor agreements are open for negotiation during 1965.

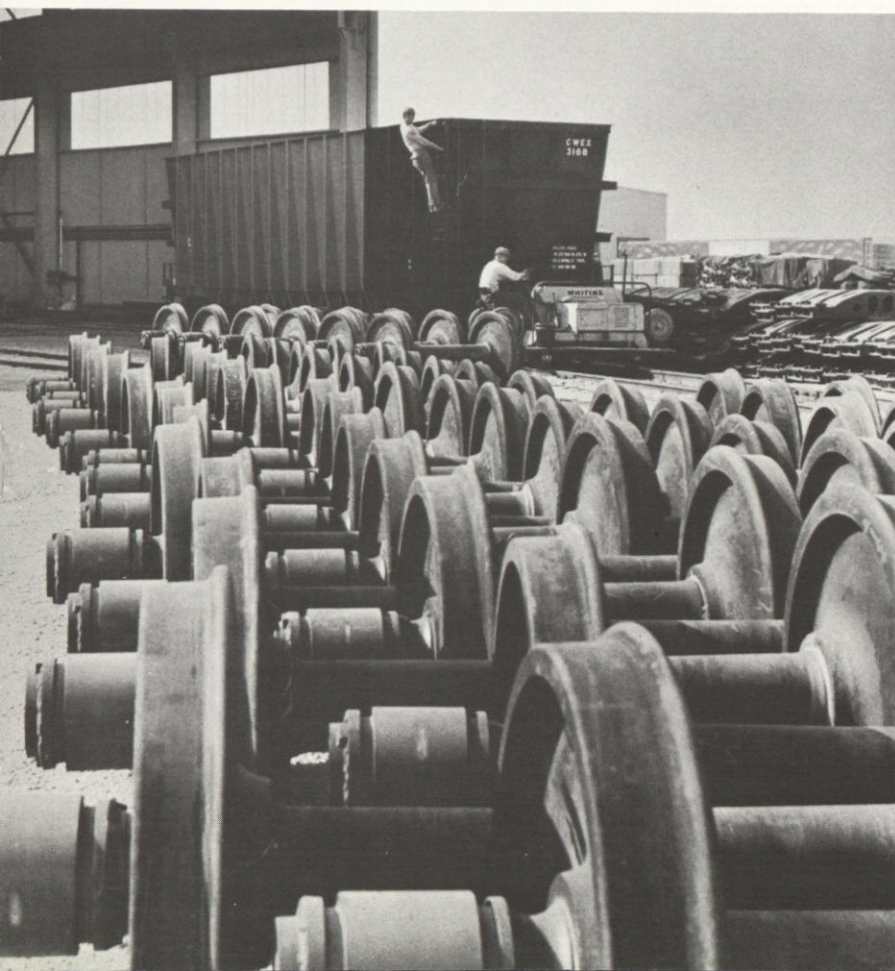
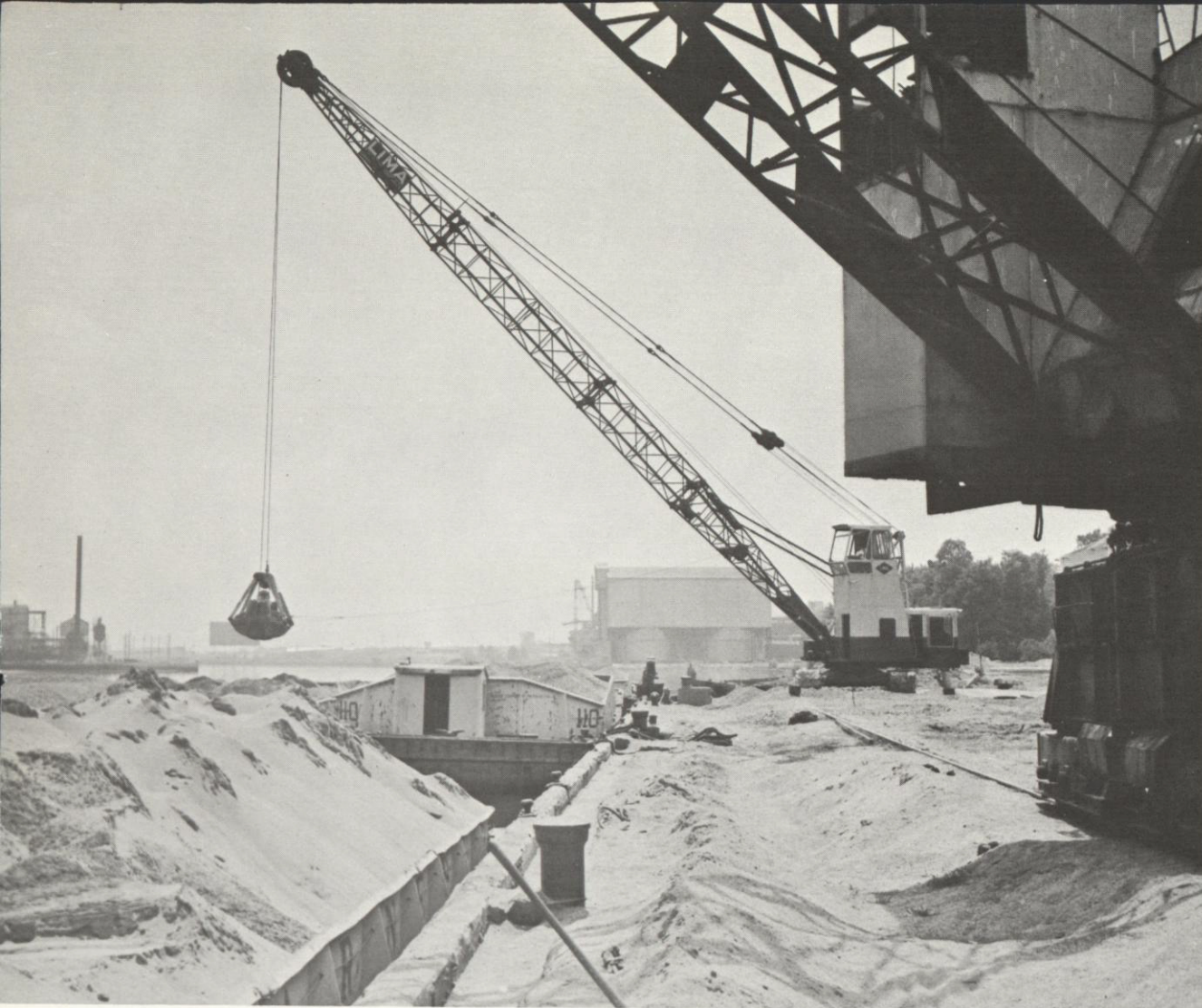
New Products and Processes

The Austin Western plant of the Construction Equipment Division will begin production this year of a new crane, similar in design to the other models in the hydraulic crane line. This new

machine, rated at 17½ tons, will be the largest such unit on the market. It will provide full hydraulic boom extension and 80 foot maximum hook height.

The Lima plant has begun production on the new front end loader line, starting with the two yard machine. Production on the 1¼ yard machine will follow shortly. There will be four sizes of this machine when the line is complete.

BLH Electronics is now producing two new bonded strain gage transducers for process control application. One transducer measures fluid flow by measuring the small, differential pressure drop across a restriction inserted in the flow line. Capable of measuring differential pressures as small as one or two psi, the transducer can also accommodate overload pressures as great as 1500 psi. The other transducer, a displacer liquid level type, is for measuring liquid levels in tanks and columns. This transducer continuously weighs an anchored displacement float which is immersed in the liquid for which level measurements are needed. The changing weight of displaced liquid provides a true indication of liquid level.



The technique of explosive forming at Standard Steel Division—enlarging rings by detonating a charge inside them—has reached production levels. The problems in this process for producing high strength, non-magnetic steel rings, have been overcome, and Standard is well ahead of other domestic developers of this process.

Research and Development

Transitel International Corporation, the affiliate which we own jointly with Industrial Process Engineers, completed successfully its first field test of automatic domestic electric and gas meter reading in August, 1964. The results of this test were widely publicized, and the company is working toward selling operating systems.

The Industrial Equipment Division completed the addition to its hydraulic research and test laboratory in May and held an open house for power company executives. The occasion was extremely successful in impressing power executives with the extensive facilities at the division for designing and testing every type of hydraulic turbine and many

varieties of axial flow pumps.

The division also continues to be very active in the water desalination program which has been of such keen interest to the administration of late and has had so much attention in the press. Our position in this work was already well established before the recently accelerated interest, and this position had led to our being awarded a contract by the Department of Interior for developing a conceptual design for a 50 million gallon per day, seawater desalting plant which can operate in conjunction with a nuclear power plant. Some notion of the magnitude of the contemplated plant is given by the fact that the largest such plants now in operation or under construction have outputs of only slightly more than 1 million gallons per day.

Standard Steel is devoting a major portion of its research attention to continuing development of super alloys of steel and to titanium alloys applicable to supersonic aircraft. In pursuing these exotic explorations the division has not, however, neglected possible developments on railroad products.

BLH Electronics collaborated

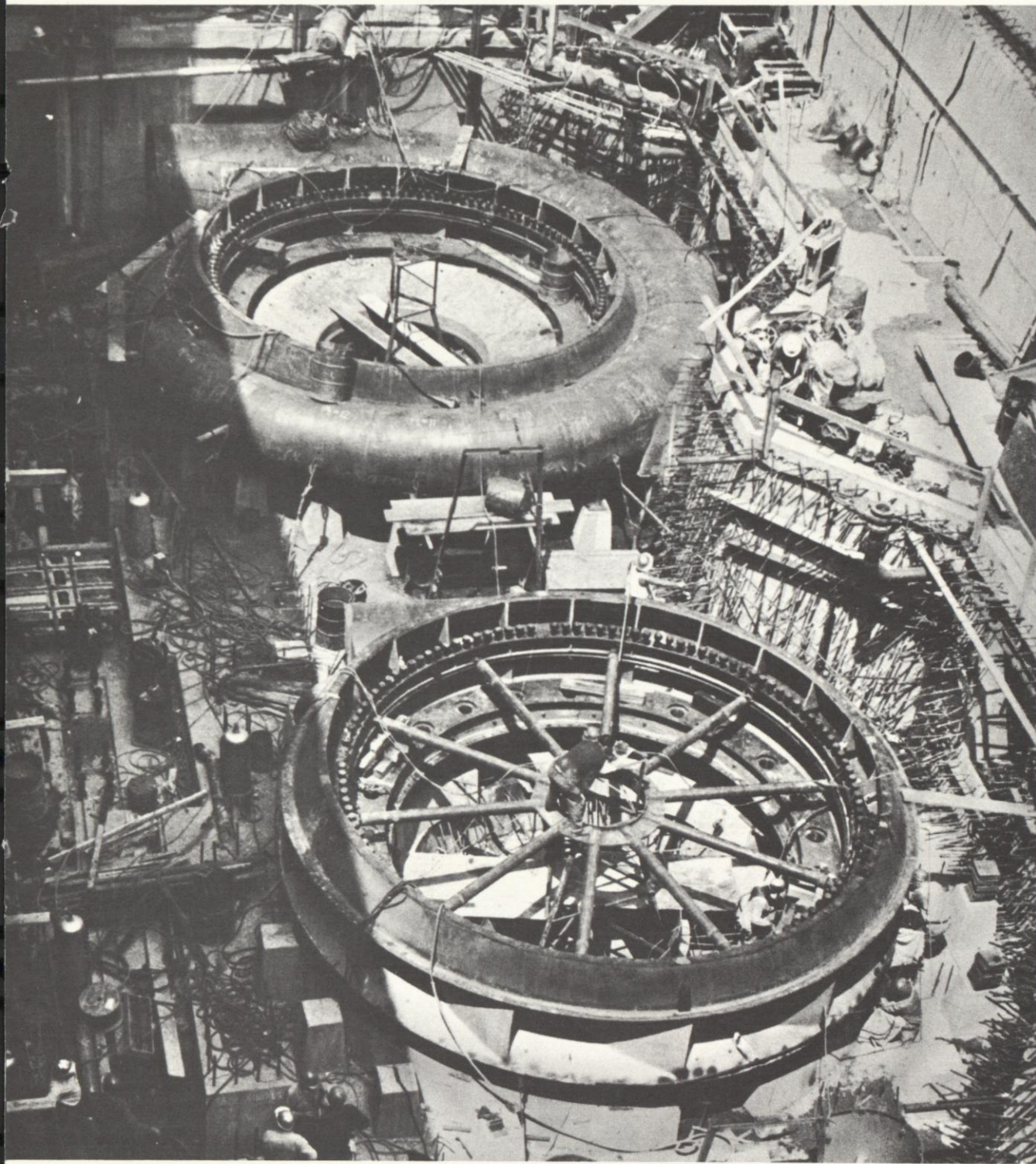
with the Norton Company to produce a special BLH-Rokide ceramic rod used in the application of BLH free-filament strain and temperature sensors. BLH Electronics was also appointed worldwide distributor of the equipment manufactured by Metallizing Company of America, which is used in the Rokide flame spray process as applied to sensor installations.

BLH Electronics has also supplied a new approach to heat sensitive writing to the recently acquired line of recording oscillographs. A heated stylus melts a line on a wax coated chart paper and reveals a black background. The resulting trace is much more accurate and precise than the conventional ink trace. The thermo-electronic principle employed in heating the stylus is new to the medium frequency recording industry and represents a major innovation in improved technique.

Summary

As this discussion reflects, the corporation is moving forward on many fronts. Such varied progress and interests are essential to providing new products and services which future markets will demand.

Three BLH pump-turbines will be the heart of this powerhouse at the new 330,000-KW Yards Creek (N.J.) pumped-storage hydroelectric plant. Each of the three pump-turbines will supply 150,500 horsepower.



BALDWIN-LIMA-HAMILTON CORPORATION and Subsidiaries

Consolidated Balance Sheet - December 31, 1964 and 1963

ASSETS

Current Assets:	1964	1963
Cash	\$5,243,868	\$6,106,541
U. S. Treasury and other marketable securities at cost, which approximates market	8,093,818	9,540,417
Trade receivables, less reserve, \$929,000 and \$960,000, respectively	33,791,821	29,130,200
Inventories at lower of cost or market, less reserve, \$516,000 and \$420,000, respectively	47,406,152	46,950,106
Prepaid expenses	337,313	164,129
Total Current Assets	<u>\$94,872,972</u>	<u>\$91,891,393</u>
 Trade Receivables—Not due within one year	 5,864,327	 7,232,314
 Investments and Advances:		
Unconsolidated subsidiaries	3,028,775	3,062,979
Other	1,941,854	2,352,945
 Property, Plant and Equipment—At cost, less reserve, \$48,172,132 and \$48,506,041, respectively	 27,775,026	 26,888,705
 Other Deferred Charges	 223,200	 335,000
	<u>\$133,706,154</u>	<u>\$131,763,336</u>

See accompanying notes

NOTES to Financial Statements

Basis of Reporting

The consolidated financial statements include the accounts of wholly-owned operating domestic subsidiaries, but exclude foreign and nonoperating domestic subsidiaries.

Investments and Advances

Investments and advances, unconsolidated subsidiaries, are carried at approximate underlying equity. Other investments and advances are similarly stated in 1964, and in 1963 are carried at cost or less.

Reserves and Income Taxes

In 1963 the Company, by charge to retained earnings, provided a reserve, net of anticipated income tax benefit, of \$5,800,000 in connection with discontinuing certain product lines and related plant rearrangement at two divisions. Net expenses of this program, after income tax benefit, were \$1,466,212 in 1964 and \$2,477,068 in 1963.

The income tax benefits of \$688,000 in 1964 and \$592,000 in 1963 from the excess of guideline tax depreciation over book depreciation were added to the reserve for deferred taxes on income.

LIABILITIES

Current Liabilities:	1964	1963
Notes payable, unconsolidated subsidiary	\$2,400,000	\$1,900,000
Accounts payable, trade	9,529,987	7,619,631
Dividend payable	415,525	426,015
Advances on sales orders	1,726,966	2,149,600
Provision for taxes on income	1,111,045	956,048
Other taxes, wages, commissions, etc.	5,741,135	5,428,744
Total Current Liabilities	<u>\$20,924,658</u>	<u>\$18,480,038</u>
 Reserves:		
Product guarantees and other expenses	\$1,005,000	\$755,000
Estimated costs and expenses of discontinuing certain product lines	1,856,720	3,322,932
Deferred taxes on income	2,339,000	1,682,000
Total Reserves	<u>\$5,200,720</u>	<u>\$5,759,932</u>
 Shareholders' Book Equity:		
Common stock, \$13 par:		
Authorized 5,000,000 shares		
Issued 4,782,778 shares	\$62,176,114	\$62,176,114
Capital in excess of par value	26,884,500	26,884,500
Retained earnings	25,176,748	23,691,486
	<u>\$114,237,362</u>	<u>\$112,752,100</u>
Less treasury common stock at cost—627,828 shares in 1964 and 523,928 shares in 1963	6,656,586	5,228,734
Total Shareholders' Book Equity	<u>\$107,580,776</u>	<u>\$107,523,366</u>
	<u>\$133,706,154</u>	<u>\$131,763,336</u>

Estimated income taxes payable for the two years are as follows:

	1964	1963
Income taxes applicable to operating earnings	\$3,390,000	\$2,030,000
Tax benefits from discontinuance expenses and guideline depreciation	<u>3,138,000</u>	<u>1,692,000</u>
Estimated income taxes payable	<u>\$252,000</u>	<u>\$338,000</u>

Lease Obligations

The Company was the lessee of factory, office and warehouse space under long-term leases with remaining periods ranging from eight to seventeen years at December 31, 1964. The annual rentals aggregate approximately \$400,000 plus certain real estate taxes, public assessments and insurance costs.

Stock Options

The Executive Stock Option Plan provided that the Company might grant options to key executives of the Company to purchase not in excess of 200,000 shares of the Company's common stock at prices not less than market value at the time the option was granted. At January 1, 1964, options were outstanding for 131,500 shares, options for 53,100 shares had been exercised and 15,400 shares were available for option. During 1964, options for 18,300 shares terminated, options for 21,500 shares were granted, and options for 5,300 shares were exercised. At December 31, 1964, options to purchase 129,400 shares for an aggregate of \$1,703,043 were outstanding. Although 12,200 shares were available for option on December 31, 1964, tax law changes effective January 1, 1965 preclude further granting of qualified or restricted options after that date under the existing Plan.

BALDWIN-LIMA-HAMILTON CORPORATION and Subsidiaries

Consolidated Statement of Income

Income:	1964	1963
Net sales	\$136,952,289	\$124,775,854
Royalties	902,675	769,348
Interest earned	1,162,160	1,018,610
Net profit (loss) on sale of property	24,846	(1,956)
Miscellaneous	259,811	153,996
Total	<u>\$139,301,781</u>	<u>\$126,715,852</u>
Costs and Expenses:		
Cost of products sold, including engineering, selling, and administrative expenses	\$127,177,443	\$118,792,809
Depreciation and amortization	3,265,927	3,119,668
Contributions for employees' retirement	2,223,009	1,561,803
Taxes on income	3,390,000	2,030,000
Interest and miscellaneous	88,270	194,476
Total	<u>\$136,144,649</u>	<u>\$125,698,756</u>
Net Income	<u>\$3,157,132</u>	<u>\$1,017,096</u>
Per share—Outstanding at end of year, 4,154,950 shares in 1964 and 4,258,850 shares in 1963	\$.76	\$.24

See accompanying notes

Consolidated Statement of Retained Earnings

	1964	1963
Balance, January 1	\$23,691,486	\$30,178,010
Net income	3,157,132	1,017,096
Dividends declared	(1,671,870)	(1,703,620)
Extraordinary charge, provision for net cost of discontinuing certain product lines	—	(5,800,000)
Balance, December 31	<u>\$25,176,748</u>	<u>\$23,691,486</u>

See accompanying notes

AUDITORS' REPORT

To the Shareholders of Baldwin-Lima-Hamilton Corporation:

We have examined the consolidated balance sheet of Baldwin-Lima-Hamilton Corporation and subsidiaries as of December 31, 1964 and the related consolidated statements of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements of Baldwin-Lima-Hamilton Corporation and subsidiaries for the year 1963.

In our opinion, the accompanying statements present fairly the consolidated financial position of Baldwin-Lima-Hamilton Corporation and subsidiaries at December 31, 1964 and 1963 and the consolidated results of operations for the years then ended in conformity with generally accepted accounting principles applied on a consistent basis.

Philadelphia, Pa.
February 4, 1965

Lybrand, Ross Bros. & Montgomery
Certified Public Accountants

Domestic Divisions

Construction Equipment Division
Austin-Western Plant, Aurora, Illinois

Lima Plant, Lima, Ohio

Electronics Division
Waltham, Massachusetts

Industrial Equipment Division
Philadelphia (Eddystone), Pa.

Standard Steel Division
Burnham, Mifflin County, Pa.

Domestic Subsidiaries

The Green Fuel Economizer Co., Inc.
Beacon, New York
Sterling Thompson, General Manager

The Allen-Sherman-Hoff Company, Inc.
259 E. Lancaster Avenue
Wynnewood, Pennsylvania
Elmer T. Drinkuth
Vice President and General Manager

Domestic Affiliate

Transitel International Corporation
Paramus, New Jersey

Foreign Affiliates

Hottinger-Baldwin Messtechnik G.m.b.H.
Darmstadt, West Germany

BLH-Australia Pty. Ltd.
Melbourne, Victoria, Australia

Sasakura Engineering Co., Ltd. Osaka, Japan

Products

Road Graders • Hydraulic Cranes • Compaction Equipment
• Street Sweepers

Power Shovels • Cranes • Draglines • Pull Shovels • Front
End Loaders • Rock Crushing Equipment • Roadpackers •
Asphalt Plants • Pavers • Aggregate Dryers • Dust Collectors

Products for Precision Measurement of Force and Tem-
perature: Strain Gages • Thermocouples • Transducers
• Instruments • Recorders • Amplifiers • Systems

Water Power Turbines • Pump/Turbines • Governors and
Valves • Ship Propellers • Non-Ferrous Castings • Hydraulic
Metalworking Machinery • Extrusion Presses • Forging
Presses • Waterworks, Sewage and Power-Plant Pumps
• Large Condensers and Feedwater Heaters for Thermal
Power Plants • Nuclear Steam Generators • Land-based
Saline Water Distillation Plants • Specialty Clutches and
Couplings • Locomotive and Diesel Engine Renewal Parts

Weldless Rings and Flanges, Forgings, Tires, Wheels and
Springs of Carbon and Alloy Steels • High Temperature
Alloys • Non-Ferrous Alloys • Exotic Metals

Industrial Fans • Dust Collectors • Dampers • Cinder Traps

Dust and Ash Handling Equipment

Automatic Meter Reading • Telemetering • Supervisory
Controls

Strain Gages • Force Transducers and Instruments

Shovels • Cranes • Road Building and Maintenance
Equipment

Marine Distillation Units • K Fin Tubing • Fin Fan Units



BALDWIN-LIMA-HAMILTON

